

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton; and
Tony Hammond

Priority Mail International Flat Rate
Envelopes and Priority Mail
International Small Flat Rate Boxes

Docket No. MC2016-118

ORDER APPROVING CHANGES TO THE MAIL CLASSIFICATION SCHEDULE
RELATED TO PRIORITY MAIL INTERNATIONAL FLAT RATE ENVELOPES AND
PRIORITY MAIL INTERNATIONAL SMALL FLAT RATE BOXES

(Issued April 19, 2016)

I. INTRODUCTION

On April 7, 2016, the Postal Service filed a notice pursuant to 39 C.F.R. § 3020.80 concerning changes to the Mail Classification Schedule (MCS).¹ For the reasons stated below, the Commission approves the changes.

¹ Request of the United States Postal Service for Changes in the Mail Classification Schedule to Revise the Dispatch Stream for Priority Mail International Flat Rate Envelopes and Priority Mail International Small Flat Rate Boxes from the Letter Post Stream to the Air Parcel Stream, April 7, 2016 (Request).

II. BACKGROUND

The proposed changes revise the competitive product description for Outbound Priority Mail International (PMI) in section 2315 of the MCS. Request at 1. The “changes would result in Priority Mail International (PMI) Flat Rate Envelopes and PMI Small Flat Rate Boxes being dispatched in the air parcel stream instead of the letter post stream.” *Id.*

The Postal Service’s supporting justification states that currently PMI Flat Rate Envelopes and PMI Small Flat Rate Boxes are dispatched in the letter post stream, while other PMI items are dispatched in the parcel post stream. *Id.* at 2. As a result, the two services are subject to different market and operational characteristics than the rest of the Outbound PMI product. *Id.* These differences result in marketing, administrative, operational, and other complexities for the Postal Service and users of the services. *Id.* at 3. The Postal Service asserts that changing the dispatch stream for PMI Flat Rate Envelopes and PMI Small Flat Rate Boxes to the air parcel stream will alleviate many of those complexities by creating more consistency across PMI products. *Id.*

The Postal Service states that its financial workpapers demonstrate that the proposed changes will not impair the ability of Outbound PMI to cover its costs or impair the ability of competitive products as a whole to cover an appropriate share of institutional costs. *Id.* at 4.

The Postal Service states that the proposed changes will give users of PMI Flat Rate Envelopes and PMI Small Flat Rate Boxes expanded access to tracking and insurance, not generally available in the letter post stream without a bilateral agreement between operators. *Id.* The Postal Service acknowledges that its competitors may be affected by the Postal Service’s ability to more effectively market its PMI product and provide tracking services and insurance for PMI Flat Rate Envelopes and PMI Small Flat Rate Boxes. *Id.* at 5. The Postal Service intends to implement the changes on June 3, 2016. *Id.* The Request includes a copy of the MCS changes in legislative format.

III. COMMENTS

The Public Representative submitted comments on April 15, 2016.² The Commission received no other comments. She recommends that the Commission approve the Postal Service's request. PR Comments at 2. She concludes that "although the unit cost will be higher under the proposed operational change, PMI should continue to generate sufficient revenues to cover costs and therefore meet the requirements of 39 U.S.C. § 3633(a)." *Id.*

IV. COMMISSION ANALYSIS

The Commission revised its regulations regarding requests for MCS changes or corrections in Docket No. RM2015-6.³ The revised rules "distinguish[] between material changes and minor corrections to the descriptive content in the MCS." Order No. 2543 at 2. Although the Postal Service filed its request pursuant to 39 C.F.R. §§ 3020.80-83 concerning material changes, it noted that it reserves the right to characterize the change as a minor one if the Commission determines the classification change does not amount to a material change. Request at 1, n.1.

As a preliminary matter, the Commission finds that the proposed change is material. In Docket No. RM2015-6, the Commission stated that the determination of whether a classification change is a material change or a minor change depends on "the degree to which the proposed alteration affects the characteristics of the product."⁴ Here, the Postal Service acknowledges that the proposed changes unify the treatment of Outbound PMI services that previously had "different market and operational characteristics" depending on whether they were dispatched in the letter post stream or

² Public Representative Comments in Response to Request to Make Changes to the Mail Classification Schedule Related to Priority Mail International Flat Rate Envelopes and Priority Mail International Small Flat Rate Boxes, April 15, 2016 (PR Comments).

³ Docket No. RM2015-6, Order Adopting Final Rules on Changes and Corrections to the Mail Classification Schedule, June 16, 2015 (Order No. 2543).

⁴ Docket No. RM2015-6, Notice of Proposed Rulemaking on Changes and Corrections to the Mail Classification Schedule, November 14, 2014, at 9, 14 (Order No. 2250).

the parcel post stream. Request at 2. The proposed changes alter the characteristics of PMI Flat Rate Envelopes and PMI Small Flat Rate Boxes most notably by adding the availability of insurance and tracking. *Id.* at 4. The alteration of the characteristics of the product amounts to a material classification change.

Pursuant to 39 C.F.R. § 3020.80, a request to make material changes to the MCS must be submitted at least 30 days prior to the date of implementation of the changes, include a copy of the proposed changes, and provide supporting justification. The Postal Service filed the request on April 7, 2016, more than 30 days before the intended implementation date of June 3, 2016. The Postal Service also included a copy of a proposed changes and a supporting justification.

In compliance with 39 C.F.R. § 3020.81(a), the Postal Service's supporting justification includes a description and rationale for the changes. Specifically, the Postal Service explains that it seeks to dispatch PMI Flat Rate Envelopes and PMI Small Flat Rate Boxes in the parcel post stream, so that the products can share the same characteristics as other PMI products. Request at 3. The Request includes financial workpapers demonstrating that the Outbound PMI product will continue to comply with the requirements of 39 U.S.C. § 3633 and 39 C.F.R. § 3015. The changes do not appear to hinder the product's ability to cover its costs or the ability of competitive products as a whole to cover an appropriate share of institutional costs. As the Public Representative notes, unit costs will be higher under the proposed change. PR Comments at 2. The Commission has reviewed the Postal Service's filing, including supporting financial analyses provided under seal, and the Public Representative's comments. Based on this review, the Commission finds that Outbound PMI should continue to cover its attributable costs and contribute to competitive products as a whole covering an appropriate share of institutional costs.

With regard to the impact of the change on users, the Postal Service states that the proposed MCS change will give users of PMI Flat Rate Envelopes and PMI Small Flat Rate Boxes access to tracking services and insurance, consistent with the services provided with other PMI items. Request at 4. The Postal Service acknowledges that

competitors may be affected by the Postal Service's enhanced ability to market its Outbound PMI product by adding those services to PMI Flat Rate Envelopes and PMI Small Flat Rate Boxes. *Id.* at 5.

The Postal Service's supporting justification complies with 39 C.F.R. § 3020.81(b),(c).

For the foregoing reasons, the Commission approves the proposed material changes to the MCS.

V. ORDERING PARAGRAPHS

It is ordered:

1. The proposed classification changes are in accordance with 39 C.F.R. § 3020.80 *et seq.* and are not inconsistent with any applicable provisions of title 39.
2. The Mail Classification Schedule language attached below the signature line of this Order is approved. The proposed material classification changes will be implemented June 3, 2016.

By the Commission.

Stacy L. Ruble
Secretary

CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

Part B—Competitive Products
2001 Competitive Product Descriptions

2300 International Products

2315 Outbound Priority Mail International

2315.1 Description

b. Outbound Priority Mail International is not sealed against postal inspection. Mailing of matter as such constitutes consent by the mailer to postal inspection of the contents, regardless of the physical closure.

~~b. All items that may be sent using First-Class Mail international service, including written correspondence having the nature of current and personal correspondence, may be sent in Priority Mail International Flat Rate Envelopes or Small Flat Rate Boxes.~~

~~c. Only Priority Mail International Flat Rate Envelopes and Small Flat Rate Boxes (except when used as Free Matter for the Blind or Other Physically Handicapped Persons) are sealed against inspection and shall not be opened except as authorized by law.~~

cd. *****

de. *****

ef. Nonnegotiable ~~D~~document reconstruction up to \$100.00 and merchandise insurance up to \$200.00 is included in the price of postage. Additional merchandise insurance may be purchased at the time of mailing. Additional nonnegotiable document reconstruction insurance may not be purchased.

2315.2 Size and Weight Limitations¹

	Length	Height	Thickness	Weight
Minimum	For customer-provided packaging, large enough to accommodate postage, address, custom labels, and any other required elements on the address side			none
Maximum Parcels	79 inches			70 pounds
	108 inches in combined length and girth			
Letter Post Flat Rate Envelopes	Nominal Sizes: 9.5 x 12.5 inches Priority Mail Gift Card: 10 x 7 inches Priority Mail Legal: 15 x 9.5 inches Priority Mail Window: 10 x 5 inches Priority Mail Small: 10 x 6 inches Priority Mail Padded: 12.5 x 9.5 inches			4 pounds
Parcel Flat Rate Boxes	Nominal Sizes: Large: 12.25 x 12.25 x 6.0 inches or 11.875 x 3.125 x 24.0625 inches – approximately 1/2 cu. ft. Medium: 11.875 x 3.375 x 13.625 inches or 11 x 8.5 x 5.5 inches – approximately 1/3 cu. ft.			20 pounds
Letter Post Flat Rate Boxes	Nominal Sizes: Small: 8.625 x 5.375 x 1.625 inches – approximately 1/20 cu. ft. DVD Box: 7.5625 x 5.4375 x 1.375 inches Large Video Box: 9.25 x 6.25 x 2			4 pounds

2315.4 Price Categories

The following price categories are available for the product specified in this section:

- Priority Mail International Parcels ~~Retail~~
 - Price Groups 1-17

2315.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- International Ancillary Services (2615)
 - ~~International Certificate of Mailing (2615.1)~~
 - ~~Outbound Competitive International Registered Mail: Letter Post Flat Rate Envelopes and Letter Post Flat Rate Boxes only (2615.2)~~
 - International Insurance: ~~Parcels and Large and Medium Flat Rate Boxes only (2615.5)~~

2315.6 Prices

Priority Mail International Flat Rate Retail Prices

	Country Price Group							
	1 (\$)	2 (\$)	3 (\$)	4 (\$)	5 (\$)	6 (\$)	7 (\$)	8 (\$)
Flat Rate Envelopes	23.95	29.95	30.95	32.95	31.95	33.95	31.95	32.95
Letter Post <u>Small</u> Flat Rate Boxes	24.95	30.95	31.95	33.95	32.95	34.95	32.95	33.95
Medium Flat Rate Boxes	45.95	66.95	67.95	66.50	69.95	75.95	68.95	71.95
Large Flat Rate Boxes	59.95	86.95	88.95	86.95	90.95	95.95	89.95	93.95

Priority Mail International Flat Rate Commercial Base Prices¹

	Country Price Group							
	1 (\$)	2 (\$)	3 (\$)	4 (\$)	5 (\$)	6 (\$)	7 (\$)	8 (\$)
Flat Rate Envelopes	22.75	28.45	29.40	31.30	30.35	32.25	30.35	31.30
Letter Post Small Flat Rate Boxes	23.70	29.40	30.35	32.25	31.30	33.20	31.30	32.25
Medium Flat Rate Boxes	43.65	63.60	64.55	63.20	66.45	72.15	65.50	68.35
Large Flat Rate Boxes	56.95	82.60	84.50	82.60	86.40	91.15	85.45	89.25

Notes

1. ~~Electronic USPS Delivery Confirmation International, which is optionally provided at no charge, offers scan events for customers using select software or online tools. It is available for certain Priority Mail International Flat Rate Envelopes and Small Flat Rate Box offerings to select destinations.~~

Priority Mail International Flat Rate Commercial Plus Prices¹

	Country Price Group							
	1 (\$)	2 (\$)	3 (\$)	4 (\$)	5 (\$)	6 (\$)	7 (\$)	8 (\$)
Flat Rate Envelopes	22.75	28.45	29.40	31.30	30.35	32.25	30.35	31.30
Letter Post Small Flat Rate Boxes	23.70	29.40	30.35	32.25	31.30	33.20	31.30	32.25
Medium Flat Rate Boxes	43.65	63.60	64.55	63.20	66.45	72.15	65.50	68.35
Large Flat Rate Boxes	56.95	82.60	84.50	82.60	86.40	91.15	85.45	89.25

Notes

1. ~~Electronic USPS Delivery Confirmation International, which is optionally provided at no charge, offers scan events for customers using select software or online tools. It is available for certain Priority Mail International Flat Rate Envelopes and Small Flat Rate Box offerings to select destinations.~~

2510.3 Global Expedited Package Services (GEPS) Contracts

2510.3.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- International Ancillary Services (2615)
 - International Certificate of Mailing: ~~PMI Flat Rate Envelope~~ FCPIS only (2615.1)
 - Outbound Competitive International Registered Mail: ~~PMI Flat Rate Envelope~~ FCPIS only (2615.2)

2510.6 Global Plus Contracts

2510.6.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- International Ancillary Services (2615)
 - International Certificate of Mailing: IPA, ~~PMI Flat Rate Envelope~~ only (2615.1)
 - International Insurance: PMEI, PMI parcels only (2615.5)
 - ~~Outbound Competitive International Registered Mail: PMI Flat Rate Envelope only (2615.2)~~

2510.7 Global Reseller Expedited Package Contracts

2510.7.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- International Ancillary Services (2615)
 - International Certificate of Mailing: FCPIS, ~~PMI Flat Rate Envelope, PMI Small Letter Post Flat Rate Boxes, PMI parcels purchased without insurance~~ only (2615.1)
 - International Insurance: GXG, PMEI merchandise, ~~PMI parcels, PMI Large and Medium Flat Rate Boxes~~ only (2615.5)
 - Outbound Competitive International Registered Mail: FCPIS, ~~PMI Flat Rate Envelopes and Small Letter Post Flat Rate Boxes~~ only (2615.2)
 - International Return Receipt: subject to availability in the destination country for registered FCPIS, ~~PMI Flat Rate Envelopes, PMI Small Letter Post Flat Rate Boxes~~, and insured ~~PMI parcels~~ only (2615.3)

2615 International Ancillary Services**2615.1 International Certificate of Mailing****2615.1.1 Description**

- b. International Certificate of Mailing is available for unregistered Outbound Single-Piece First-Class Package International Service, ~~unregistered Priority Mail International Flat Rate Envelopes, unregistered Priority Mail International Small Flat Rate Boxes, Priority Mail International parcels purchased without insurance,~~ and International Direct Sacks–Airmail M-Bags.

2615.1.2 Prices*Individual Pieces Prices*

	(\$)
Original certificate of mailing for listed pieces of ordinary Outbound Single-Piece First-Class Package International Service or Priority Mail International parcels	1.35
Three or more pieces individually listed in a firm mailing book or an approved customer provided manifest (per piece)	0.49
Each additional copy of original certificate of mailing or firm mailing bills (each copy)	1.35

2615.2 Outbound Competitive International Registered Mail

2615.2.1 Description

- a. Outbound Competitive International Registered Mail service provides additional protection and security in dispatch and conveyance in the United States for items mailed using Outbound Single-Piece First-Class Package International Service, ~~Priority Mail International Flat Rate Envelope, Small Flat Rate Box, DVD Flat Rate Box, or Large Video Flat Rate Box~~. In the United States registered mail items are handled separately from all other mail and are kept in a secure area with restricted access. In destination countries registered mail items are handled in accordance with the internal procedures of the destination country.

2615.3 Outbound International Return Receipt

2615.3.1 Description

Outbound International Return Receipt

- b. Outbound International Return Receipt service is subject to availability in the destination country for registered Outbound Single-Piece First-Class Package International Service, ~~Priority Mail International Flat Rate Envelopes, Priority Mail International Small Flat Rate Boxes, and insured Priority Mail International parcels.~~

2615.5 Outbound International Insurance

2615.5.1 Description

- a. Optional additional Outbound International Insurance may be purchased to protect against loss, damage, or missing contents for Priority Mail International ~~parcels and Priority Mail International Large and Medium Flat Rate Boxes.~~

2615.5.2 Price Categories

The following price categories are available for the product specified in this section:

Outbound Price Categories

- Priority Mail International Insurance
Available for all Priority Mail International ~~parcels and Priority Mail International Large and Medium Flat Rate Boxes.~~

4000 Country Price Lists for International Mail

Country	Market Dominant SPFCMI ¹	Competitive						
		FCPIS ²	International Expedited Services			PMI ⁵	PMI Flat Rate Envelopes and Boxes ⁵	IPA & ISAL ⁶
			GXG ³	PMEI ⁴	PMEI Flat Rate Envelope ⁴			

Ascension	7	7	-	-	-	7	8	16
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Bolivia	9	9	8	9	2	9	2	17
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Falkland Islands	9	9	-	-	-	9	8	17
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Korea, Democratic People's Republic of (North)	6	6	-	-	-	6	8	18
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Notes

4. PMEI = Priority Mail Express International. PMEI Flat Rate Envelopes ~~are~~ may not be available to all countries. See Individual Country Listings in the International Mail Manual for availability.
5. PMI = Priority Mail International. PMI Flat Rate Envelopes and PMI Flat Rate Boxes ~~are~~ may not be available to all countries. ~~Availability to certain destinations may be limited to PMI Flat Rate Envelopes and/or PMI Small Flat Rate Boxes. See Individual Country Listings in the International Mail Manual for availability.~~
6. IPA = International Priority Airmail.
ISAL = International Surface Air Lift.
IPA and ISAL service ~~is~~ may not be available to all countries. See Individual Country Listings in the International Mail Manual for availability.